

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4870-04
Bill No.: Perfected SS for SB 928
Subject: Business and Commerce; Entertainment, Sports and Amusements; Motels and Hotels; Taxation and Revenue - Sales and Use
Type: Original
Date: March 30, 2010

Bill Summary: Would modify provisions of law regarding the sales tax treatment of purchases for resale.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization. BAP officials noted that the proposal would add definitions to the sales tax statutes regarding sales for resale, and assume the proposal would have a significant impact on general and total state revenues. BAP deferred to the Department of Revenue for an estimate of the impact.

Officials from the **Department of Conservation** (MDC) assume this proposal could have a negative impact on MDC funds; however, MDC was not able to provide an estimate of the impact and deferred to the Department of Revenue for that estimate.

Officials from the **Department of Elementary and Secondary Education** assume this proposal would have no fiscal impact on their organization, and deferred to the Department of Revenue for an estimate of the fiscal impact to the state.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would make certain purchases made for resale exempt or excluded from sales and use tax if the subsequent sale is taxed in the state or another state, is for resale, is excluded from tax, is subject to tax but is exempt, or is exempt in another state where the subsequent sale occurs.

The proposal would clarify that operators of amusement parks and places of entertainment or recreation, including games or athletic events, must charge sales taxes on the amount of gross receipts charged for admission, but any subsequent sale of the admissions or seating accommodations would not be subject to sales tax. This proposal would clarify that operators of hotels, motels, taverns, restaurants, drugstores, dining cars, or tourist camps must charge sales taxes on the amount of gross receipts charged for all rooms, meals, and drinks furnished at the establishment, but any subsequent sale of those same rooms, meals, and drinks would be exempt from sales tax.

Adding exemptions from sales tax would decrease the amount of funding available in the Parks and Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assumed a previous version of this proposal would not have a fiscal impact on their organization, but would reduce total state revenue.

Oversight will indicate an impact in excess of \$100,000 per year to the General Revenue Fund and to local governments. Since the sales tax rates for other state funds which receive sales tax revenues are lower than for the General Revenue Fund, Oversight will indicate unknown losses for those funds. Further, since the proposal includes an emergency clause, a full year's impact would be expected for FY 2011.

Officials from the **City of Centralia** assume this proposal would have no fiscal impact on their organization.

Officials from the **Parkway School District** assumed a previous version of this proposal could affect sales tax revenues but costs cannot be estimated at this time.

Officials from **St. Louis County** assumed a previous version of this proposal would have an insignificant impact on their organization.

Amendment 1

This provision would create a state and local sales and use tax exemptions for shooting ranges.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization, but stated that exempting shooting ranges from sales tax would reduce total state revenue.

Officials from the **St. Joseph Police Department** stated that sales tax revenue reductions could affect their agency.

Officials from the **City of Centralia** assume this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Oversight does not have information on the number or gross sales of Missouri shooting ranges and will assume that this provision would result in an unknown but insignificant reduction in sales tax revenue to the state General Revenue Fund, to other state funds that receive sales tax revenues, and to local governments. For fiscal note purposes, Oversight will assume that the fiscal impact of this additional sales tax exemption would be included in the impact already calculated for this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
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SCHOOL DISTRICT TRUST FUND

<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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LOCAL GOVERNMENTS

<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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FISCAL IMPACT - Small Business

This proposal would define certain types of transactions as taxable or not taxable retail sales and would create an additional category of business exempt from sales and use tax. Therefore, the proposal could have an impact to small businesses involved in the specific types of transactions addressed.

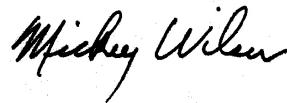
FISCAL DESCRIPTION

The proposed legislation would define certain purchases made for resale as not taxable sales at retail, and would create a sales and use tax exemption for shooting ranges.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
Platte County
St. Louis County
City of Centralia
Parkway School District



Mickey Wilson, CPA
Director
March 30, 2010